Aircraft Tire PBL Programs

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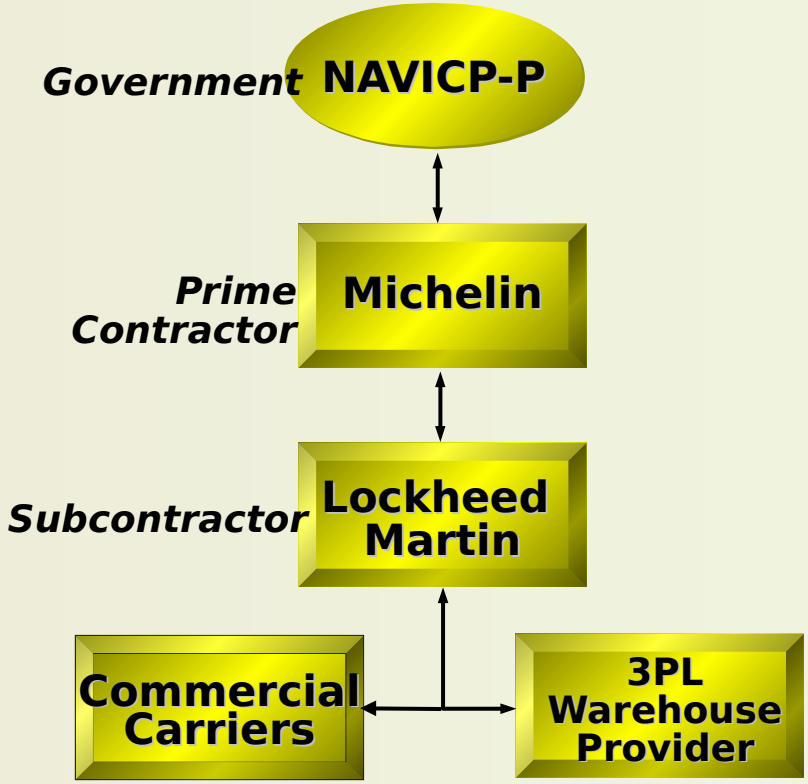
- Navy Tires PBL Program

- DLA's Aircraft Tire Privatization Initiative

Navy Tires PBL - The Team Structure

- Firm fixed-price contract with the Naval Inventory Control Point to provide aircraft tires to all Navy, USMC aircraft, plus foreign military sales
- Five-year contract with two five-year options
- Lockheed Martin is a teammate of and a subcontractor to Michelin Aircraft Tire Co, LLC (MATC)
- MATC produces the tires and Lockheed Martin performs the supply-chain management function
- Contract requires that 95% of tire requisitions be filled in two working days CONUS and four working days OCONUS
- Transportation provided by commercial carriers under contract to Lockheed Martin



Period of Performance - January 2001 – January 2016

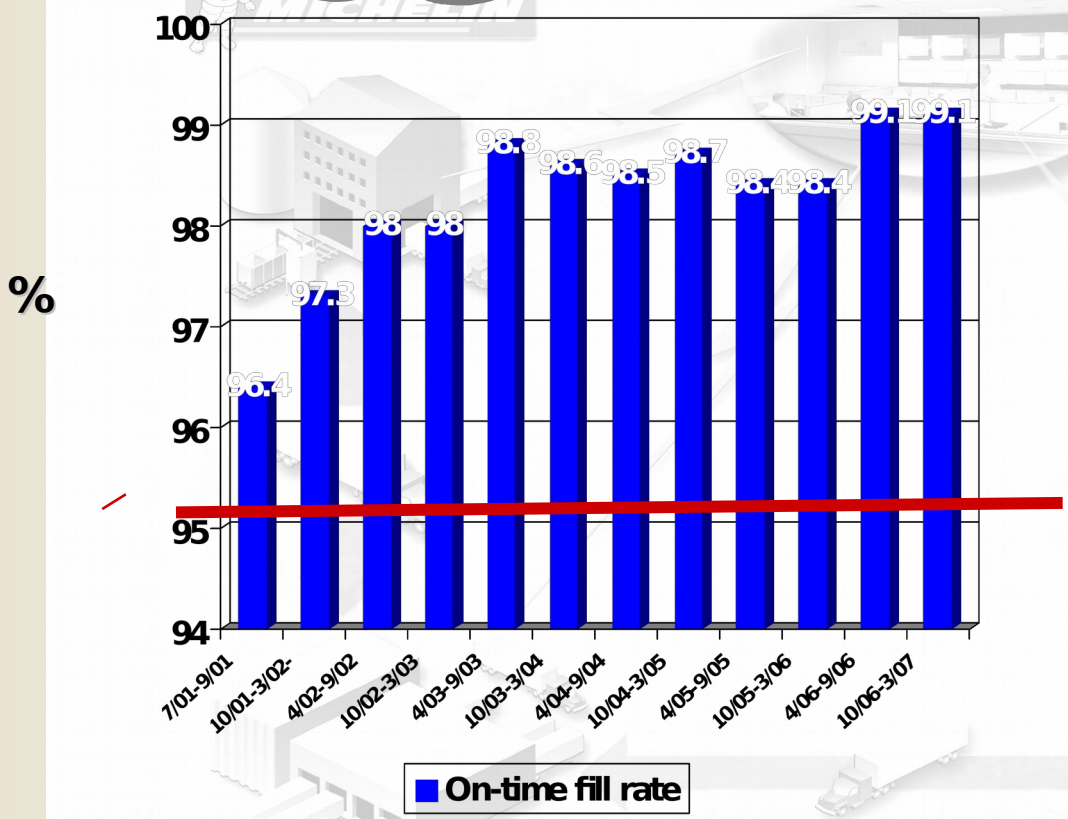
Five year base:	2001-2006
First five-year option: (Awarded)	2006-2011
Second five-year option:	2011-2016

Why outsource tires SCM?

- ***Unprecedented readiness***
- ***Save $49M over 15 years***

Aircraft Tires PBL Contract Performance

1000 requisitions per month…3K tires per month



- Goal is 95% on time
  - 48 hrs CONUS
  - 96 hrs OCONUS
- Record:
  - Not one backorder (100% fill rate)
  - ACWT CONUS: 32 hrs 53 mins
  - ACWT OCONUS: 58 hrs 31 mins
  - Wholesale & Retail inventory levels dropping
- Taking cost out

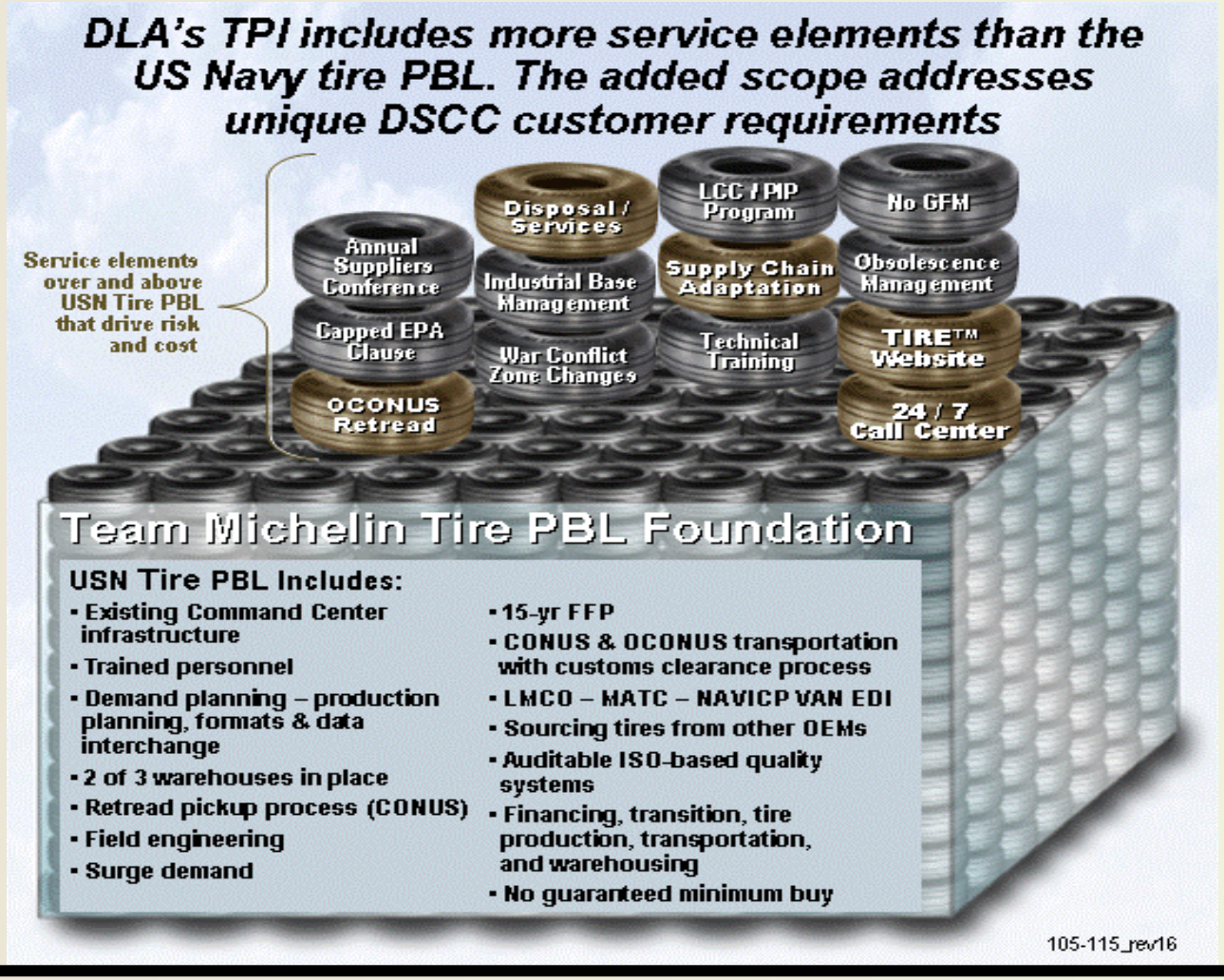
NAVICP awarded the first option period to Michelin-Lockheed Martin

Navy Tires PBL

- **Benefits to Navy**
  - **$3M / year in supply chain management savings**
  - **Reduction from approximately 1.5 years wholesale inventory to 3 months**
  - **Reduction from 60 days to 15 days retail inventory at all CONUS Naval Air Stations**
  - **Response times reduced to 2 days in US, 4 days OCONUS**
  - **On-time delivery improvement from 81% to 99+%**

DLA's Aircraft Tire Privatization Initiative (TPI)

Navy Tire PBL and TPI are Common


DLA's TPI includes more service elements than the US Navy tire PBL. The added scope addresses unique DSCC customer requirements
Service elements over and above USN Tire PBL that drive risk and cost
Annual Suppliers Conference
Capped EPA Clause
OCONUS Retread
Disposal / Services
Industrial Base Management
War Conflict Zone Changes
LCC / PMP Program
Supply Chain Adaptation
Technical Training
No GFM
Obsolescence Management
TIRE™ Website
24 / 7 Call Center
Team Michelin Tire PBL Foundation
USN Tire PBL Includes:
• Existing Command Center infrastructure
• Trained personnel
• Demand planning – production planning, formats & data interchange
• 2 of 3 warehouses in place
• Retread pickup process (CONUS)
• Field engineering
• Surge demand
• 15-yr FFP
• CONUS & OCONUS transportation with customs clearance process
• LMCO – MATC – NAVICP VAN EDI
• Sourcing tires from other OEMs
• Auditable ISO-based quality systems
• Financing, transition, tire production, transportation, and warehousing
• No guaranteed minimum buy
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Aviation TPI is 75% Common with Navy Tire PBL

MICHELIN
A better way forward
BRIDGESTONE
DUNLOP
TIRES
GOODYEAR
OEMs
MICHELIN
A better way forward
DSCC
TIRE™ Web Site
TIRE™
Tire Internet Resource Environments
NRFI
Retreads
RFI Tires
Command Center
USAF
Engineering
Source
Authority
LOCKHEED MARTIN
RFI Tires
Distribution Center
(CONUS / OCONUS)
Recycler /
Collection Center
Scrap /
Retread
(NRFI)
EER Disposal
USAF / USA
Bases

ATPI Timeline

Contract Award	29 Dec 2006
Notice to Proceed	23 Jan 2007
Warehouse Inspection	23 Mar 2007
Ready to Process Orders (D90)	23 Apr 2007
Performance Review Board	25 Apr 2007
Begin Transfer of Govt Tires (D180)	23 Jul 2007
Go Live (D270)	23 Oct 2007

Summary

- Michelin-LM Team is exceeding all contract requirements for Navy Tires
- We are saving the Navy more than $49M over the life of the contract
- The team is ready to perform for the Aviation Tire Privatization Initiative